

Dian Mandiri USAID Grant: Opportunity in Indonesia— Providing Sustainable Microenterprise Services to Needy Entrepreneurs

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I. Project overview:

In July 2001, Opportunity International (OI) received a 3-year grant from USAID to assist its partner Dian Mandiri (DIMAN). The purpose of the grant was to create short-term and long-term employment and income generation activities, predominately for women, in the informal sector of the Tangerang Regency of Jakarta.

The project has four major objectives:

1. Increase breadth of client outreach
2. Increase depth of client outreach
3. Implement a global microfinance technology (install an MIS)
4. Strengthen DIMAN's institutional capacity.

II. Accomplishments and Activities, July 1, 2004 through September 30, 2004

1. Branch Expansion

At the end September 2004 DIMAN reached 12,580 active clients in eight branches, 80% of whom were women. The average loan size per client was USD \$94. The loan portfolio has grown from USD\$40,617 in June 2001 to USD \$558,581 by the end of September 2004 while the number of loans made has increased from 498 in June 2001 to 24,178 by the end of September 2004.

This quarter DIMAN launched Small Group and Individual lending methodology in all branches as part of the graduation loan program. The number of clients for each methodology was 12,472 Trust Bank, 89 Small Group and 19 Individual loans.

Future branch managers of three new branch offices in Depok, Pasar Minggu and Cengkareng as expansion of Ciputat and Kampung Melayu branches were appointed and trained. An operational Program Supervisor was appointed to assist the Program Manager.

As recommended by the final evaluator of the USAID project, DIMAN distributed client drop out survey forms to all branch offices in September. The survey will be performed in October and analyzed in November. Results of the survey will be used to quickly improve client retention and achieve outreach and sustainability targets.

2. Strengthen Institutional Capacity

CIMS Implementation

Transformation manager and CIMS supervisor conducted a comprehensive impact assessment survey using 575 respondents that represented 5% of total clients spread in the eight branch offices. The program officers completed survey. Data was entered into the OI CIMS database.

MIS

On July 31st, 2004 DIMAN signed an agreement with Java Softech Indonesia to initiate the purchase of the Micro Finance software called MATRIX Credit Information and Monitoring Software. The MATRIX (Prototype) was installed at the Head Office and one Branch Office in August. One training workshop with DIMAN Head Office and Branch Office staff on Prototype through Prototype software was conducted in September. The workshop was part of the Gap Analysis Additional Requirement (GAAR) process. Two more training workshops will be conducted to complete the GAAR. In addition, DIMAN purchased a desk computer for each branch office, a file HP server for the head office. The server was installed and connected to the LAN, sharing Database, Internet and printer. The computer system was also updated from OS 98 to OS 2000. DIMAN plans to purchase an additional unit of UPS for the Head office by the end of October.

Internal Audit Manager

An internal audit manager who has experienced working with USAID project was recruited in August.

Strategic Planning 2005-2007

To anticipate growth and as recommended by the USAID evaluation done by Devorah Miller, a strategic planning 2005-2007 focused on operations is scheduled to be performed by a local consultant in October. The process includes a day workshop to get the same perceptions on Trust Bank, Small Group and Individual methodologies as it was done on September 30th, 2004 in the workshop attended by Branch managers and management team.

PROGRAM PERFORMANCE

As September 30th, 2004 (US\$)

Indicator	End of Project Targets July 2004	End of July 2004	Current Quarter September 2004
Ending Loan Amount Outstanding	\$1,136,694	\$524,307	\$558,581
Ending Number of Loans Outstanding	11,492	11,804	12,580
Amount of Loans Disbursed	\$3,645,488	\$1,889,150	\$2,262,437
Number of Loans Disbursed	23,226	20,036	24,178
Operational Sustainability	147%	85.96%	86.19%
Financial Viability	106%	76.05%	75.18%
Arrears Rate (>30 Days)	5%	6.13%	5.66%
% of Loans to Women	85%	77.24%	80%

Grant target has not been achieved for the ending loan outstanding. The original DIP projections assumed an average loan size of \$122. Average loan size for both July and September 2004 was \$ 94. DIMAN will stay consistent with its vision of poverty alleviation by keeping the average loan size relatively small. However, through the graduation loan products, DIMAN would contemplate a loan size growth as an indicator of the economic transformation of the clients. Each client would be required to complete a minimum number of cycles in a Trust Bank before graduating to the larger, small group loan product.

This project had four major objectives:

1. Increase breadth of client outreach

- As of September 30, 2004, DIMAN had 12,580 active clients. By the end of the grant on July 31, 2004, DIMAN's had 11,804 active clients, thereby exceeding the EOP target of 11,492.
- Three new branch offices will be established early next year 2005 as extension of the existing branch offices.

The following table summarizes the key characteristics of DIMAN's current loan products:

	Trust Banks	Small Groups	Individual Loans
Amount	Rp 500,000 - 2 mill \$58 to \$235	Rp 3 mill – 5 mill \$325 to \$588	Rp 3 – 10 mill \$325 - \$1,176
Group Size	15-30	3-5	1
Guarantee	Group guaranty and saving	Group guarantees and savings	Guarantee determined by credit analysis: physical collateral or co-signer. Spouses sign
Savings	Mandatory 5% at time of loan disbursement Voluntary savings	Mandatory 5% at time of loan disbursement Voluntary savings	No
Interest Rate	2.5% flat per mo.	2.5% flat per mo.	2.5% flat per mo.
Administrative Fee	2% of loan paid at disbursement	2% of loan paid at disbursement	2% of loan paid at disbursement
Payment Period	Weekly	Weekly	Monthly
Terms	5 months	6 months	10-12 months
Number of loans	12,472	89	19
Number of groups	675	22	-

2. Increase depth of client outreach

- This objective was achieved through the development of Small Group that was part of the graduation program. Small Group consists of 3 to 5 members graduated from Trust Bank with a greater amount of loan from \$325 to \$588. This program was launched in May. As of September 30, 2004 there were 89 active clients in 22 Small Groups. A separate manual on graduation loan products is being prepared.
- Transformation manager and CIMS supervisor conducted comprehensive impact assessment survey using 575 respondents that was 5% of total clients spread in the eight branch offices. Program officers completed the surveys, and the data was entered into the OI CIMS database.

3. Implement a global microfinance technology (install an MIS)

- An agreement with Java Softech Indonesia was signed on July 31, 2004 to initiate the process to use the Micro Finance software called MATRIX Credit Information and Monitoring Software. The MATRIX (Prototype) was installed at the Head Office and one Branch Office in August. A training workshop for DIMAN Head Office and Branch Office staff on Prototype through Prototype software was conducted in September. The workshop was part of the Gap Analysis Additional Requirement (GAAR) process. Two more training workshops

will be conducted to complete the GAAR. In addition, one desk computer unit for each branch office, as well as one file HP server for the head office were purchased and installed. MIS connected the server to the LAN, sharing Database, Internet and printer. The computer system was updated from OS 98 to OS 2000.

4. Strengthen DIMAN's institutional capacity.

- DIMAN grew from 40 staff members to its current size of 109 staff, of which 54 are Program Officers.
- With graduation loan products, DIMAN will need specialized staff in credit analysis. As a result, DIMAN plans to send Operational staff to some courses on credit analysis.

LESSONS LEARNED

In Indonesia, the role of the informal sector is still evident in supporting national economic activities. Providing access for credit is critical for micro businesses, because it releases the poor from money lenders with interest rate as high as 12% to 20% per month. With the Trust Bank Methodology DIMAN has provided a solution for micro businesses. The Trust Bank methodology is defined as a group lending with mutual guarantee where each member is responsible for the entire loan as substitute of collateral.

The funding from USAID has created the momentum for DIMAN's expansion. Technical expertise was provided to enhance DIMAN's capacity to increase their outreach in Tangerang, Jakarta and Bekasi. The project achieved most of the set targets.

With the cooperative legal body, DIMAN is looking to gain capacity to leverage external funding by collecting savings.

A survey of client dropouts is currently underway to improve the collection of client retention data needed to achieve outreach and sustainability targets more quickly.